

PUBLIC DISCLOSURE

NOVEMBER 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WELLESLEY CO-OPERATIVE BANK

40 CENTRAL STREET
WELLESLEY, MA 02482

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Wellesley Co-operative Bank** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **November 1, 1999**. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Wellesley Co-operative Bank was deemed to have a Satisfactory CRA rating based on its performance with regard to the five performance factors detailed throughout this report.

Based upon the number and amount of HMDA-reportable loans in its assessment area, Wellesley Co-operative Bank has demonstrated a reasonable responsiveness to credit needs. The bank's average net loan to deposit ratio over the past eight quarters was at 89.3 percent. Based on the bank's asset size and resources this ratio is considered strong. A majority of the bank's loans are made within its assessment area and are adequately distributed throughout the communities. The bank's lending also demonstrates a reasonable distribution of loans among individuals of different income levels. Finally, the bank's fair lending performance was found to be adequate at this time and supports the overall rating of satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Wellesley Co-operative Bank, a state-chartered mutually owned financial institution, was incorporated in 1911. As of September 30, 1999, Wellesley Co-operative Bank had total assets of \$73,911,000, of which 82.0 percent was in the form of loans. The bank is primarily a residential mortgage lender with its portfolio centered in one-to-four family residential real estate loans. The bank operates one full service office located at 40 Central Street in Wellesley, Massachusetts. In addition, the bank has a loan operation center at 47 Church Street in Wellesley, directly behind the bank office.

Wellesley Co-operative Bank offers various types of lending products such as adjustable rate mortgage loans, fixed rate mortgage loans, passbook collateral loans, new and used automobile loans, personal loans and home equity lines of credit. The following table details the bank's loan portfolio as a percent of average gross loans. This information was obtained from the Uniform Bank Performance Report (UBPR) as of June 30, 1999.

Loan Portfolio as of June 30, 1999	
Type of Loans	% of Average Gross Loans
Construction & Land Development	8.2%
Residential Real Estate	
a. 1-4 Family Mortgages	63.3%
b. Home Equity Lines	10.2%
Multifamily	3.6%
Commercial Loans	
a. Commercial Real Estate	12.9%
b. Commercial & Industrial Loans	0.7%
c. Agricultural Loans	0.0%
Consumer Loans	
a. Credit Cards & Related Plans	0.0%
b. Loans to Individuals	1.1%
Other Loans	0.0%
Total	100.0%

Source: Uniform Bank Performance Report (UBPR 6/30/99).

As shown by the data in the table above, residential real estate is the bank's primary form of credit activity. Loans secured by one-to-four family residential property account

for approximately 63.3 percent of all outstanding credit. Commercial real estate loans are next with 12.9 percent, followed by home equity lines of credit with 10.2 percent.

In 1998, the top five mortgage lenders within the bank's defined assessment area were (1) Countrywide Home Loans (2) Peoples Heritage Bank (3) Bank of America, FSB (4) GE Capital Mortgage Services and (5) Assurance Mortgage. These top five lenders held a 20.3 percent market share of all mortgage loan originations reported under the Home Mortgage Disclosure Act (HMDA).

Based on aggregate HMDA data for 1998, Wellesley Co-operative Bank ranked 71st in market share among all HMDA reporting lenders within its defined assessment area with 0.2 percent of the market. There were 390 HMDA reporting mortgage lenders active within the assessment area in 1998.

The most recent Community Reinvestment Act (CRA) evaluation, performed by the FDIC as of October 19, 1998 assigned a rating of "Satisfactory". The previous evaluation performed by the Commonwealth of Massachusetts as of May 5, 1997 also assigned a rating of "Satisfactory".

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which the bank will focus its lending efforts. The Division of Banks evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSAs) or contiguous political subdivisions such as counties, cities and towns.

Wellesley Co-operative Bank defines its assessment area as the towns of Wellesley, Dover, and Needham in Norfolk County; the towns of Natick and Weston and the City of Newton in Middlesex County. All cities and towns in the assessment area are contiguous to the Town of Wellesley and are located in the Boston Metropolitan Statistical Area (MSA). The Boston MSA median Family Household Income (FHI) was \$60,000 for 1998 and \$62,700 for 1999.

The cities and towns, which comprise the bank's assessment area, include some of the most affluent suburban areas of Boston. The assessment area contains a large population of upper-income households, above average home prices, and extremely high owner occupancy rates. The towns generally have more successful downtown areas than most other suburban towns. Although a residential community, the assessment area is also an employment center, having several office parks and shopping centers within its borders. The assessment area is also a college community, with institutions such as Wellesley College, Babson College, and Boston College located in this area.

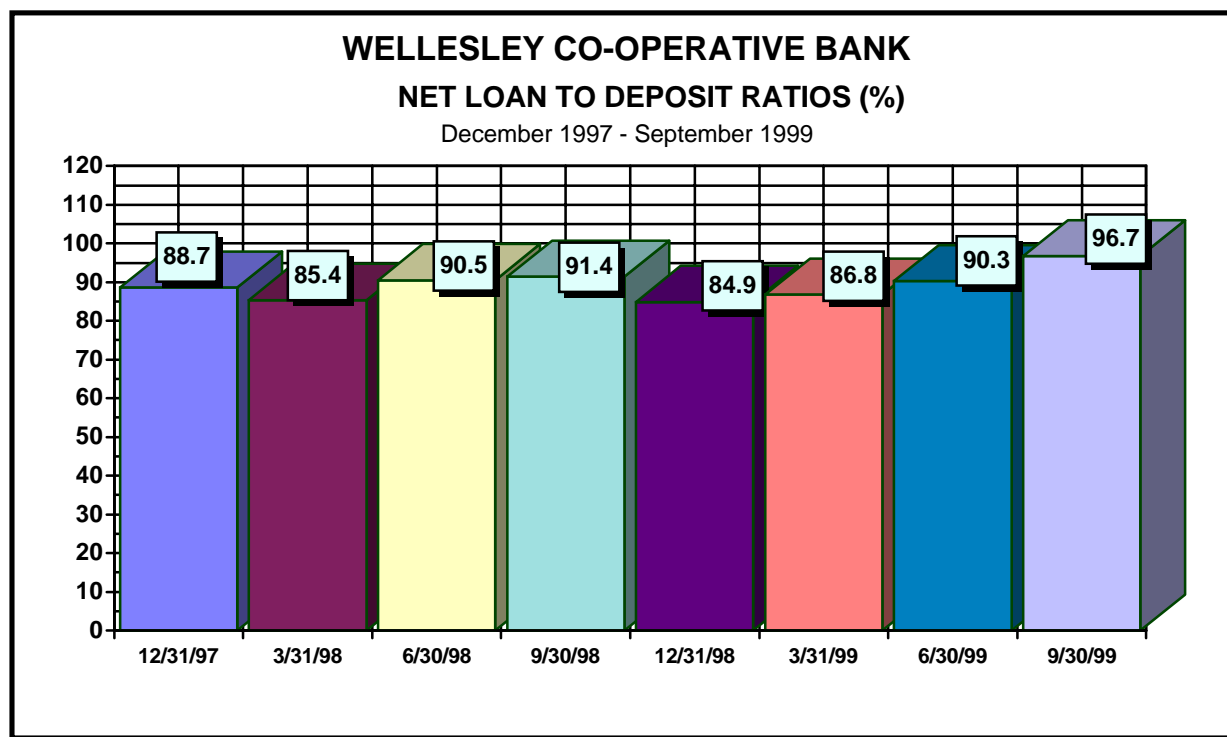
According to 1990 US Census Data, Wellesley Co-operative Bank's assessment area has a total population of 182,377 individuals. The assessment area consists of 37 census tracts. Census tracts are defined as either low, moderate, middle or upper-income based on median Family Household Income (FHI) within the census tract. The

census tract breakdown for Wellesley Co-operative Bank's assessment area includes: 8 census tracts or 21.6 percent designated as middle-income and 29 or 78.4 percent designated as upper-income. There are no low-income or moderate-income census tracts within the assessment area.

PERFORMANCE CRITERIA

1. NET LOAN TO DEPOSIT ANALYSIS

Wellesley Co-operative Bank's average net loan to deposit ratio was calculated by using the data reported in the previous eight quarterly FDIC Call Reports. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's average net loan-to-deposit ratio for the period of December 31, 1997 through September 30, 1999 is 89.3 percent. At the previous state examination on May 5, 1997, the average net loan to deposit ratio was calculated to be 86.3 percent. The asset size of the institution has increased from \$69.7 million as of September 30, 1998 to \$73.9 million as of September 30, 1999. During the same period, net loans increased approximately 10.8 percent, while deposits have increased approximately 4.8 percent. This shows that the loan growth has outpaced the deposit growth. As indicated in the table below, the bank's net loan to deposit ratio stands at 96.7 percent as of September 30, 1999. The following graph depicts the net loan to deposit ratio comparison for each quarter under review.



The following table compares the bank's net loan-to-deposit ratio with three other institutions in the area. The ratios ranged from 105.2 percent to 77.1 percent for June 30, 1999. Wellesley Co-operative Bank is ranked second with a net loan-to-deposit ratio of 90.3 percent. The following table provides the net loan-to-deposit ratio for the other banks within the institution's assessment area. The ratios shown are calculated from the FDIC's Call Report data for June 30, 1999. The institutions are listed with the net loan-to-deposit ratios in descending order.

INSTITUTION	NET LOAN TO DEPOSIT RATIO June 30, 1999
Newton South Co-operative Bank	105.2
Wellesley Co-operative Bank	90.3
Natick Federal Savings Bank	88.1
Auburndale Co-operative Bank	77.1

Based on the above information, the bank's asset size and resources, competition, and the credit needs of the assessment area, the bank's net loan to deposit ratio is considered strong and exceeds the standard for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

Wellesley Co-operative Bank's 1998 and 1999 year-to-date (through October 30, 1999) Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's delineated assessment area. During this period, the bank originated 77 HMDA-reportable loans totaling approximately \$20,067,000. Of this amount, 54 loans, or 70.1 percent of the number, totaling \$15,999,000, or 79.7 percent of the dollar amount, was originated in the bank's assessment area.

Wellesley accounted for the largest number of originations with 42.8 percent, followed by Natick with 20.8 percent and Needham with 5.2 percent. Wellesley also accounted for the largest dollar volume of originations with 59.0 percent, followed by Natick with 12.9 percent and Needham with 5.4 percent.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar amount.

HMDA-Reportable Loans by Number of Originations

Location	1998		1999-YTD		Totals	
	#	%	#	%	#	%
Wellesley	20	55.6	13	31.7	33	42.8

Natick	7	19.4	9	22.0	16	20.8
Needham	1	2.8	3	7.3	4	5.2
Newton	0	0.0	1	2.4	1	1.3
Dover	0	0.0	0	0.0	0	0.0
Weston	0	0.0	0	0.0	0	0.0
Inside Assessment Area	28	77.8	26	63.4	54	70.1
Outside Assessment Area	8	22.2	15	36.6	23	29.9
Total	36	100.0	41	100.0	77	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 10/30/99

HMDA-Reportable Loans by Dollar Amount of Originations

Location	1998		1999-YTD		Totals	
	\$ (000)	%	\$ (000)	%	\$(000)	%
Wellesley	7,009	71.1	4,835	47.4	11,844	59.0
Natick	1,008	10.2	1,591	15.6	2,599	12.9
Needham	279	2.8	802	7.8	1,081	5.4
Newton	0	0.0	475	4.7	475	2.4
Dover	0	0.0	0	0.0	0	0.0
Weston	0	0.0	0	0.0	0	0.0
Inside Assessment Area	8,296	84.1	7,703	75.5	15,999	79.7
Outside Assessment Area	1,565	15.9	2,503	24.5	4,068	20.3
Total	9,861	100.0	10,206	100.0	20,067	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 10/30/99

As indicated in the above tables, 70.1 percent of the number and 79.7 percent of the dollar amount of the bank's HMDA-reportable loans, in 1998 and year-to-date 1999, were originated inside the bank's assessment area. The remaining loans outside the assessment area do not show a pattern in any one community or tract.

Market statistical data for calendar year 1998 compiled by PCI Services, Inc. CRA Wiz indicated that Wellesley Co-operative Bank ranked 71st in market share for HMDA-reportable originations and purchases throughout its assessment area. The bank's market share was 0.2 percent. Of the bank's total loans originated within the

assessment area, 63.0 percent were conventional home purchases, 31.5 percent were for refinances, and 5.5 percent were on multifamily dwellings.

Based on all of the above information, it is evident that a reasonable number and dollar amount of the bank's loans have been extended within its assessment area. Therefore, the institution's level of lending within its assessment area is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median Family Household Income (FHI) for the Boston Metropolitan Statistical Area (MSA) based on the location of the property. According to estimated Department of Housing and Urban Development (HUD) information, these income figures are \$60,000 for 1998, and \$62,700 for 1999.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following tables show, by number and dollar amount, HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

Distribution of HMDA-Reportable Loans within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Families		1998		1999-YTD		Total	
	#	%	#	%	#	%	#	%
< 50%	3,932	8.5	0	0.0	1	3.9	1	1.8
50 - 79%	4,982	10.7	1	3.6	3	11.5	4	7.4
80 - 119%	8,702	18.7	2	7.1	1	3.9	3	5.6
> = 120%	28,859	62.1	18	64.3	17	65.3	35	64.8
NA	0	0.0	7	25.0	4	15.4	11	20.4
Total	46,475	100.0	28	100.0	26	100.0	54	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 10/30/99

Distribution of HMDA-Reportable Loans within the Assessment Area to Borrowers of Different Income Levels by Dollar Amount

Borrower Income Level	Families		1998		1999-YTD		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
< 50%	3,932	8.5	0	0.0	145	1.9	145	0.9
50 - 79%	4,982	10.7	120	1.4	443	5.7	563	3.5
80 - 119%	8,702	18.7	267	3.2	210	2.7	477	3.0
> = 120%	28,859	62.1	5,863	70.7	6,316	82.0	12,179	76.1
NA	0	0.0	2,046	24.7	589	7.7	2,635	16.5
Total	46,475	100.0	8,296	100.0	7,703	100.0	15,999	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 10/30/99

In 1998 and 1999, the bank extended one loan to low-income borrowers representing 1.8 percent by number and 0.9 percent by dollar amount of the total loans for the assessment area. In addition, the bank extended four loans to moderate-income borrowers, representing 7.4 percent by number and 3.5 percent by dollar amount of total loans. These low numbers are largely attributable to the high percentage of upper-income families within the assessment area, as shown above.

The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area and to that of a peer group. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

Lending Within the Assessment Area to Borrowers of Different Income Levels
Wellesley Co-operative Bank Compared to All Other HMDA-Reporters

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	Wellesley Co-operative Bank		All Other Reporters		Wellesley Co-operative Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	0	0.0	204	1.3	0	0.0	21,787	0.6
50 - 79%	1	3.6	720	4.6	120	1.4	79,475	2.1
80 - 119%	2	7.1	1,945	12.6	267	3.2	282,933	7.4
> = 120%	18	64.3	9,546	61.7	5,863	70.7	2,611,320	68.0
NA	7	25.0	3,058	19.8	2,046	24.7	841,373	21.9
Total	28	100.0	15,473	100.0	8,296	100.0	3,836,888	100.0

Source: HMDA Data for the period 1/1/98 to 12/31/98

In 1998, the bank extended 3.6 percent by number and 1.4 percent by dollar amount of total loans within the assessment area to low and moderate-income borrowers. This is comparable to that of the aggregate, which granted 5.9 percent by number and 2.7 percent by dollar amount to low and moderate-income borrowers.

The distribution of lending by borrower income in comparison to the number of families and the aggregate demonstrates the bank's willingness to lend to borrowers of all income levels. Therefore, Wellesley Co-operative Bank's lending distribution by borrower income levels is considered to meet the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The HMDA-reportable loans located within the bank's assessment area were further analyzed to determine their distribution by census tract income level. The assessment area is comprised of 37 census tracts. Of these census tracts, 8 or 21.6 percent are designated as middle-income and 29 or 78.4 percent are designated as upper-income. There are no low-income or moderate-income census tracts within the assessment area.

In 1998 and 1999, the bank extended 16 loans to middle-income borrowers representing 29.6 percent by number and 18.3 percent by dollar amount of the total loans for the assessment area. In addition, the bank extended 38 loans to upper-income borrowers representing 70.4 percent by number and 81.7 percent by dollar amount.

Based upon the geographic location of the bank's office, the distribution of loan originations in the middle and upper-income census tracts appears to be reasonable.

A comparative analysis of Wellesley Co-operative Bank's lending performance by census tract income category was also conducted in comparison to all other HMDA-reportable lenders in the assessment area.

In 1998, the bank extended 7 loans in middle-income census tracts representing 25.0 percent by number and 12.2 percent by dollar amount. In addition, 21 loans were extended in upper-income census tracts representing 75.0 percent by number and 87.8 percent by dollar amount. This is considered comparable to the aggregate with loans in middle-income census tracts representing 21.0 percent by number and 14.3 percent by dollar amount.

Based upon the above analysis, the geographic distribution of Wellesley Co-operative Bank's HMDA-reportable lending is considered to meet the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

REVIEW OF COMPLAINTS

A thorough review of the public comment file revealed that the bank received no complaints pertaining to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Wellesley Co-operative Bank has established a Fair Lending Policy that is incorporated into the bank's Lending Policy. It is the bank's policy to comply with federal and state fair lending statutes and regulations. Detailed below is the bank's fair lending performance as it correlates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

STAFF TRAINING

On October 20, 1999, Wellesley Co-operative Bank conducted fair lending training at the board of directors meeting. Board members and bank management who are involved in the loan process viewed a videotape entitled "Closing the Gap – A Guide to Equal Opportunity Lending". This same program was also shown to board members in October of 1998 and to employees involved in the loan process in September of 1998.

STAFF COMPOSITION AND COMPENSATION

The bank has a staff of 13 full-time and 6 part-time employees, none of which are minorities. The bank has four loan originators paid on a salary basis and one originator who is paid a base salary plus commission.

OUTREACH

Bank management ascertains the credit needs of the assessment area through active participation in community organizations by its officers and directors. These organizations include but are not limited to, the following: The Wellesley Community Center, The Wellesley Center Merchants Association and the Wellesley Chamber of Commerce.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Management evaluates both the products it offers and its product mix on an ongoing basis. This analysis is conducted to help determine whether the bank is offering competitive products and whether those products are responsive to the assessment area's needs.

Wellesley Co-operative Bank offers its own First Time Home Buyers program with increased qualifying ratios and reduced closing costs. The bank originated one loan under this program in 1998 totaling \$165,000.

MARKETING

Advertising reaches individuals of all income levels and effectively covers the bank's entire delineated assessment area. The bank utilizes print and radio to advertise its credit products and services. The bank advertises in newspapers throughout its assessment area, including The Wellesley Townsman, The Middlesex News and The Newton Tab. In addition, the bank places advertisements in numerous non-profit community programs.

CREDIT EDUCATION

Wellesley Co-operative Bank has not participated in any credit education seminars since the previous examination.

COUNSELING

The bank refers all loan customers whose home loan is delinquent to the appropriate credit counseling services available in the area.

SECOND REVIEW PRACTICES

Wellesley Co-operative Bank has a second review policy in which all denied applications are presented to the Board of Directors for a second review. This policy is incorporated into the bank's Fair Lending Policy and is designed to ensure that all loan applications are handled fairly and consistently.

INTERNAL CONTROL PROCEDURES

Senior management reviews the Home Mortgage Disclosure Act and Loan Application Register data on a semi-annual basis in order to ensure compliance with fair lending regulations.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. In 1998 and 1999, the bank received 60 residential loan applications from within its assessment area none of which were received from minorities.

According to 1990 Census Data, the bank's assessment area contained a total population of 182,377 individuals of which 7.1 percent are minorities. Aggregate information from 1998, indicated that 18,126 HMDA-reportable applications were received from other institutions within the assessment area, of which 6.2 percent were from minorities. In comparison, Wellesley Co-operative Bank's minority application flow falls below the aggregate and below the percentage of minorities within the assessment area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

WELLESLEY CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **NOVEMBER 1, 1999** has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.